Distr.
GENERAL

PBC.7/11
14 March 1991

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Programme and Budget Committee

Seventh session
Vienna, 22-26 April 1991
Item 15 of the provisional agenda

RECOMMENDATIONS FOR APPOINTMENT OF AN EXTERNAL AUDITOR

Note by the Secretariat

1. The General Conference in its decision GC.3/Dec.22 extended the appointment of the Senior President of the Audit Office of Belgium as the External Auditor for UNIDO for a period of two years, beginning on 1 July 1990, under the terms of reference specified in the financial regulations applicable to UNIDO. As was the case in the two previous bienniums, the travel and subsistence costs related to the work of the External Auditor were to be borne by the UNIDO regular budget.

2. In accordance with financial regulation 11.1, the General Conference at its fourth session in November 1991 shall appoint an External Auditor in the manner and for the period decided by it. An amount of $272,700 (at 1991 rates) is being requested by the Director-General in his proposals for the programme and budgets for the biennium 1992-1993, to cover the travel and subsistence costs of the External Auditor.

3. A communication was received from the Government of Belgium informing of the availability of the present External Auditor for a two-year extension as of 1 July 1992 and the support of the Government for such an extension.

V.91 21783 9877e

Distr.: 15 March 1991

Distr.
GENERAL

PBC.7/12
21 March 1991

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Programme and Budget Committee

Seventh session
Vienna, 22-26 April 1991
Item 16 of the provisional agenda

ORGANIZATIONAL AND STAFF STRUCTURE

Report of the Open-ended Working Group on the Organizational and Staff Structure of UNIDO

CONTENTS

	Paragraphs	Page
Introduction	1	1
Chapter		
I. ORGANIZATIONAL MATTERS	2 - 7	1
II. BASIC CONSIDERATIONS GUIDING THE RESTRUCTURING	8 - 9	2
Annex I Background Information		3
Annex II Documentation submitted to the Open-ended Working Group on the Organizational and Staff Structure of UNIDO		4

Introduction

1. The Open-ended Working Group on the Organizational and Staff Structure of UNIDO was established by the Industrial Development Board in its decision IDB.7/Dec.23. The mandate of the Working Group was to review the organizational and staff structure of UNIDO and report to the seventh session of the Programme and Budget Committee, bearing in mind decision GC.2/Dec.22(h) of the General Conference, the medium-term plan, and the constitutional mandates of UNIDO. A summary of the events that led to the establishment of the Working Group is provided in annex I.

I. ORGANIZATIONAL MATTERS

2. In accordance with Board decision IDB.7/Dec.23, the Open-ended Working Group was established under the guidance of the Bureau of the Board. The following organizational matters were thus based on recommendations made by the Bureau (and Enlarged Bureau) of the Board.

3. The Working Group held three meetings: the first on 10 January 1991, chaired by Mr. Cserveny (Hungary), Vice-President of the Board, the second on 21-22 February, chaired by Mr. A. Tofigh (Islamic Republic of Iran), Vice-President of the Board and the third on 18-19 March, chaired by Mr. O. Lønsmann Poulsen (Denmark), President of the Board. The present report was adopted by the Working Group immediately before the closure of the session on 19 March 1991.

4. At its first meeting, the Working Group took note of the decision of the Bureau of the Board that the officers of the Working Group would be the same as those of the seventh session of the Board, i.e.:

Chairman: Mr. O. Lønsmann Poulsen (Denmark)

Vice-Chairmen: Ms. N. Rodriguez (Cuba)
Mr. V. Cserveny (Hungary)
Mr. A. Tofigh (Islamic Republic of Iran)

Rapporteur: Mr. N. Ayadi (Algeria)

5. The Working Group also took note that, in accordance with rule 63.3 of the Rules of Procedure of the Board, the rules of procedure of the Group should be those applicable to sessional committees of the Board, as defined in rule 62.4.

6. The Working Group adopted the following agenda:

1. Opening of the session of the Working Group
2. Election of the bureau of the Working Group
3. Adoption of the rules of procedure of the Working Group
4. Adoption of the agenda of the Working Group and organization of work
5. Suggestions presented by Member States at the seventh session of the Industrial Development Board concerning the restructuring of UNIDO
6. Director-General's vision of the organizational and staff structure of UNIDO and his comments on the suggestions presented by Member States
7. Implementation of Board decision IDB.7/Dec.23
8. Final report of the Working Group
9. Closure of the session of the Working Group

V.91 22838 9942e

Distr.: 25 March 1991

7. For the consideration of the items on the agenda, the Group had before it the documentation listed in annex II.

II. BASIC CONSIDERATIONS GUIDING THE RESTRUCTURING

8. The Working Group carefully considered the Director-General's proposal, as contained in document IDB.7/33 and conference room paper IDB.7/CRP.5, and made a number of observations for his further consideration. Also a number of clarifications and answers to questions raised by the Working Group were given, orally as well as in writing.

9. The following basic considerations guiding the restructuring were broadly supported by the Working Group:

- UNIDO needs to be restructured if the Organization is to comply with its mandates in an effective manner;

- Any new structure should carefully reflect the needs of industrialization of the developing countries and be simple, rational and transparent and ensure a close co-ordination and effective control within and between the units;

- The activities resulting from the new structure should strengthen country, regional and interregional focus, and the structure should result in accountability of UNIDO's activities, including adequate appraisal, review and evaluation systems, bearing in mind the real impact of UNIDO's activities on the economies of the countries concerned;

- A principle of responsibility and accountability at lower organizational levels should rule. Co-ordination should be seen as a functional role of management, and not as an end in itself;

- The director of each division should be given clear terms of reference and guidelines, due regard being paid to the need for improved co-ordination and the avoidance of duplication with the functions of other divisions;

- The importance of recruiting staff on a wide and equitable geographical basis and the necessity of securing the highest standards of efficiency, competence and integrity were specifically stressed;

- Considering the future activities of UNIDO, the emerging challenges and changing circumstances, previous agreements and decisions may need to be altered with regard to the number of deputy directors-general and the allocation of departments to them. Such a decision is for Member States to make at the political level;

- In this context, the Director-General's proposal in document IDB.7/33 and all other documents and proposals considered in the Working Group should form the basis of working out the new structure for UNIDO;

- Subject to general or specific directives of the General Conference or the Board, the Director-General, as the chief administrative officer of the Organization, has the overall responsibility and authority to direct the work of the Organization and, under the authority of and subject to the control of the Board, he is responsible for the appointment, organization and functioning of the staff;

- With reference to decision IDB.7/Dec.23, paragraph (g), which "requested the Director-General to report to the Conference at its fourth regular session, through the Industrial Development Board at its eighth session, on the findings concerning the organizational and staff structure of UNIDO, with a view to reaching a decision on this matter", a new structure should be decided upon - if possible - in 1991.

Annex I

Background Information

1. The following paragraphs summarize the events that led to the establishment of the Open-ended Working Group on the Organizational and Staff Structure of UNIDO.

2. Discussions concerning the organizational structure of UNIDO were initiated at the second session of the General Conference in 1987. On that occasion, the Conference in its decision GC.2/Dec.22 which approved the programme and budgets 1988-1989 requested the Director-General to present to the Board a report which further rationalized the organizational structure of UNIDO, taking into account views expressed by Member States inter alia with regard to:

- Eliminating duplication and improving internal co-ordination;
- Delineating more clearly departmental responsibilities and functions; and
- Strengthening the substantive departments.

3. Subsequently, at the request of the Board, the Director-General commissioned a management review of the organizational and staff structure of UNIDO, especially at the higher levels, to report on its suitability and to make appropriate recommendations, taking into account the constitutional and statutory functions. The report of the management review and the findings and recommendations of the Director-General on the basis of that report were submitted to the Board in 1989 and drawn to the attention of the General Conference at its third session (IDB.5/9, IDB.5/9/Add.1 and Corr.1 and GC.3/33). As approved by the Board, a number of those recommendations of the Director-General which had no financial implications were implemented in 1989 and 1990.

4. The General Conference, at its third session, in resolution GC.3/Res.20 invited the Director-General to pursue his in-depth study on the appropriate organizational structure of UNIDO in accordance with the criteria set out in paragraph (h) of Conference decision GC.2/Dec.22. At the same time, it requested the Director-General to present to the Conference at its fourth session, through the Board, a report on his overall vision of the appropriate organizational and staff structure of UNIDO, including clear terms of reference and functions for the different departments and divisions, taking into account the medium-term plan. It also requested the Director-General to continue to consult, as appropriate, with Member States and, at the request of the President of the Board, to initiate further informal exchanges of views and studies of options for the long-term reform process and optimum staff structure, especially after presentation of the report which is to be submitted to the Board and the Conference. Accordingly, the Director-General continued his consultations with Member States and submitted to the seventh session of the Board document IDB.7/33, which provides his overall vision of the appropriate structure of the Organization.

5. While taking note of the information provided in that document, the Board in its decision IDB.7/Dec.23 requested the Director-General to continue to update and revise his vision of the organizational and staff structure of UNIDO taking into account the views expressed by the Member States and the staff of UNIDO during the seventh session of the Board. It also established the present open-ended working group which is to review the organizational and staff structure of UNIDO and report to the next session of the Programme and Budget Committee, bearing in mind paragraph (h) of Conference decision GC.2/Dec.22, the medium-term plan, and the constitutional mandates of UNIDO. Board decision IDB.7/Dec.23 also requested the Director-General to report to the Conference at its fourth regular session, through the Industrial Development Board at its eighth session, on the findings concerning the organizational and staff structure of UNIDO, with a view to reaching a decision on this matter.

Annex II

Documentation submitted to the Open-ended Working Group on the Organizational and Staff Structure of UNIDO

1. General Conference resolution GC.3/Res.20 on organizational and staff structure of UNIDO
2. Decision IDB.7/Dec.23 of the Industrial Development Board on organizational and staff structure
3. Extracts of summary records of the seventh session of the Board
4. Full reply by the Director-General on item 15 (organizational and staff structure) at the seventh session of the Board
5. Introductory statement by the Director-General to the seventh session of the Board
6. Organizational and staff structure of UNIDO. Report by the Director-General (IDB.7/33)
7. Enlarged versions of annexes I and II to document IDB.7/33 (organization chart and functions chart)
8. Organizational and staff structure of UNIDO. Note by the Secretariat (IDB.7/CRP.5)
9. A note by the UNIDO Secretariat dated 2 January 1991 supplementing the information contained in conference room paper IDB.7/CRP.5 concerning the project cycle.
10. A statement delivered by the Director-General to the Working Group on 10 January 1991 under agenda item 6.
11. A non-paper put forward by the Western European and Others Group as a basis for discussion among regional groups; distributed during the second meeting of the Working Group on 21 February 1991.
12. A position paper from the G-77, distributed during the second meeting of the Working Group on 21 February 1991.
13. A paper prepared by a sub-group of the Working Group, and submitted to the Working Group at its second meeting, on 22 February 1991.
14. A note dated 14 March 1991 prepared by the Secretariat as a follow-up to the second meeting of the Working Group.

Distr.
GENERAL

PBC.7/12/Corr.1
25 April 1991

ORIGINAL: ENGLISH

United Nations Industrial Development Organization

Programme and Budget Committee

Seventh session
Vienna, 22-26 April 1991
Agenda item 16

ORGANIZATIONAL AND STAFF STRUCTURE

Report of the Open-ended Working Group on the Organizational and Staff Structure of UNIDO

Corrigendum

Page 2, paragraph 9, entry 8, penultimate line

Before basis insert initial

V.91 23768 0166E

Distr.
GENERAL

PBC.7/13
26 March 1991

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Programme and Budget Committee

Seventh session
Vienna, 22-26 April 1991
Item 4 of the provisional agenda

FOLLOW-UP OF RECOMMENDATIONS OF THE EXTERNAL AUDITOR FOR THE FINANCIAL PERIOD 1988-1989

Report by the Director-General

Summary

In compliance with Board decision IDB.7/Dec.5, para. (c), provides: (i) a detailed report on the action taken with regard to the observations made in paragraphs 95 to 135 of the External Auditor's report (IDB.7/11-PBC.6/15 and Corr.1), concerning contracts and purchase, and (ii) a definite planning and time schedule for the preparation of a comprehensive manual containing the formal documentation of administrative and financial policies and procedures of the Organization.

CONTENTS

	Paragraphs	Page
Introduction	1	1
Chapter		
I. CONTRACTS AND PURCHASE	2 - 32	1
II. FINANCE MANUAL	33 - 34	2
III. ACTION REQUIRED OF THE COMMITTEE	35	4

Introduction

1. In conclusion 1990/3, paragraph (d), the Programme and Budget Committee requested the Director-General to take into consideration the observations in the report of the External Auditor on the accounts of UNIDO and of the Industrial Development Fund for the financial period 1988-1989 (IDB.7/11-PBC.6/15 and Corr.1) and to report to the Board on the action taken by him in implementation thereof, especially with regard to certain audit observations. Such a report was submitted by the Director-General to the Board in document IDB.7/11/Add.2. As requested by the Board in its decision IDB.7/Dec.5, paragraph (c), the present report elaborates in detail the information provided by the Director-General in document IDB.7/11/Add.2 concerning contracts and purchase and the preparation of a manual compiling accounting and financial procedures.

I. CONTRACTS AND PURCHASE

2. The report of the External Auditor included in paragraphs 95 to 135 specific observations related to contracts and purchase, emanating from the examination of files submitted to the Committee on Contracts in that period. The following paragraphs refer to the specific observations and recommendations of the External Auditor, and provide information on action taken in response to those recommendations.

3. As part of the measures to be taken to confirm that the Financial Rules and Regulations of UNIDO as well as its policies and procedures are adhered to strictly, the issuance of guidelines for the preparation of cases presented to the Committee on Contracts will be pursued actively under the auspices of the Chairman of the Committee on Contracts. This action will support uniformity of submissions and prevent misinterpretation of the requirements of the Committee on Contracts.

A. Delay in the submissions (paras. 97 and 98)

4. The Catering Advisory Committee has been informed that, in future, requests to extend the contract and/or to seek new proposals should be submitted in sufficient time to allow the Contracts Section to take appropriate action in conformity with UNIDO financial rules and regulations. In this connection, international competitive bidding for the operation of the catering facilities at the VIC will be instituted during 1991-1992 (see also para. 123 of the External Auditor's report).

5. With regard to the recommendation that more care should be put into the contract administration activities and internal controls, a new Contracts Management and Information System (CMIS) was installed in August 1990 as a data-processing application in all personal computers of the Contracts Section. The programme has been tested and will be modified and transferred to the mainframe during 1991. The new system will ensure improved contract administration.

V.91 22752 0016e

Distr.: 2 April 1991

B. Insufficient information submitted to the Committee on Contracts (paras. 99-107)

6. Paragraph 100 - The substantive office concerned was informed by the Committee on Contracts and the Contracts Section that no commitment may be entered into by any staff member prior to review of the case by the Committee on Contracts and its approval by the Deputy Director-General, Department of Administration, in conformity with UNIDO financial rule 109.17(c).

7. Paragraphs 101 and 102 - The Buildings Management Section has been informed by the Committee on Contracts and the Contracts Section that it is incumbent upon it to provide correct information, including figures and statistics, prior to the Contracts Section's submission of the relevant case(s) to the Committee on Contracts.

8. Paragraph 104 - In accordance with the instructions given by the Committee on Contracts, the substantive section obtained from the Government concerned a written request for national bidding.

9. All staff members in the Contracts Section have been informed that, if national bidding is requested, such a requirement should be specifically stipulated in the signed project document in conformity with UNIDO financial rule 109.18(b) (see also paragraph 114(e) of the report of the External Auditor).

10. Paragraph 105 - The substantive officer eventually provided his evaluation of the proposal and stated, inter alia, that the fees quoted by the company were considered reasonable.

11. Paragraph 106 - The Purchase Section now requires that all requests for electronic data-processing hardware and software at Headquarters - including those acquired from project funds that will remain at Headquarters - bear the approval of the Management Information Technical Committee, in accordance with Director-General's Bulletin UNIDO/DG/B.84 of 19 July 1988.

C. Inaccurate information submitted to the Committee on Contracts (paras. 108-115)

12. Paragraphs 109 and 110 - The requisition from the Buildings Management Section for the power networking in buildings D and E was received by the Contracts Section too late to permit the merger of both projects in one request for proposal. The Management Information Services Division and Buildings Management Section have been informed by the Contracts Section that there should be better co-ordination in future regarding the issuing of requisitions.

13. Paragraph 111 - The project was finally implemented by individual experts on the basis of reimbursable loan agreements with the investor rather than through subcontracts with consulting companies.

14. Paragraph 112 - As stated by the External Auditor, the substantive office contacted the company for negotiation of the price without reference to the Contracts Section. This was also recorded in the minutes of the Committee on Contracts, copies of which have been provided to the substantive section concerned.

15. Paragraph 113 - The Buildings Management Section has been informed by the Committee on Contracts and the Contracts Section that it is incumbent upon it to provide complete and accurate information, including figures and statistics, so that full details may be disclosed to the Committee on Contracts.

D. Faits accomplis (paras. 116-121)

16. Paragraph 117 - The Contracts Section continues to award contracts by facsimile or telex in keeping with current international practice. As is standard practice in the consulting engineering profession, a contractor can commence work upon UNIDO's receipt of his confirmation of acceptance of the contract awarded by UNIDO by telex or facsimile. Were the contractor to await the signing of the formal contract before commencing his work, substantial delays in the implementation of the relevant project would result. However, efforts are being made to increase the number of contracts awarded and signed before commencement of the work.

17. With the full agreement of the Legal Service, all model contracts have been amended to include a clause stipulating that the second payment to the contractor is subject to and will only be made after the signing of the contract by both parties.

18. Paragraph 118 - The provision by the contractor of additional personnel services was requested and agreed upon with the UNDP Resident Representative's office in Cotonou. Thus, the substantive office and Contracts Section were confronted with a fait accompli.

19. Paragraph 119 - In the opinion of the Committee on Contracts and the Legal Adviser, the waiver of international competitive bidding in cases such as the one under consideration is in keeping with the spirit of financial rule 109.18(b)(ii). The Chairman of the Project Review Committee has in the past been requested to consult with the Legal Adviser whenever projects submitted to it are contemplating the award of a contract to a specific company in a particular country.

20. Paragraph 120 - Whenever a change is made to technical specifications, the same should be referred to the substantive section and then the Purchase Section which, in turn, would request all bidders to submit revised quotations. However, in this case the Chief Technical Adviser (CTA) was already at the site and the three finalists were represented in Egypt. The CTA did not inform UNIDO of the minor changes and requested the finalists to revise their quotations and incorporate the relevant changes in their proposals. This was the point of issue regarding the deviation from the normal procedure. Recurrence of similar initiatives will be obviated through thorough briefing of CTAs by substantive officers and Purchase Section staff prior to their departure to the field.

21. The points raised in the above cases are valid. It should be noted, however, that in 1987 the Purchase Section's total implementation was $22.9 million, while in 1990 it reached $43 million. Zero-growth budgets, restrained staff levels and the increasing work load place limitations on the ability of the staff of the Section to follow-up all cases. Notwithstanding these restrictions, management will persist in its efforts to ensure that correct procedures are followed.

E. Number and nature of prospective bidders to be invited - Response (paras. 122-133)

22. Paragraph 122 - All-out efforts are made to target "interested" bidders. The initiative of the Purchase Section (discussed and agreed upon at the Inter-agency Procurement Working Group (IAPWG) meetings) to contact trade councils for assistance in sourcing truly interested companies has not been supported by all members of the Committee on Contracts.

23. Paragraph 124 - In addition to the vendors roster, there are many directories available to the Purchase Section staff. Furthermore, many Member States, particularly the underutilized major donor countries, frequently request the Purchase Section to address requests for proposals to their trade councils so that they may source "viable" companies in their countries, thereby increasing their opportunities to participate in UNIDO activities.

24. The Purchase Section's dispatch of invitations to trade councils has widened UNIDO's sourcing of vendors in underutilized major donor countries and, at the same time, generated statistics for those countries concerning their participation in UNIDO activities. As already mentioned, invitations to trade councils never precluded direct sourcing of individual vendors in those countries.

25. Paragraph 125 - To a very large extent, the Purchase Section is now able to purchase directly from manufacturers, even though quantities of equipment required are sometimes not more than one piece.

26. Paragraph 126 - It should be noted that the two projects required discreet gas chromatographs for completely different applications. While there are gas chromatographs for standard applications, there are models designed and manufactured to cater for specific requirements. In the case under consideration, the two companies satisfied the requirements as confirmed in the substantive officer's evaluations.

27. Paragraphs 122 and 127 - The Contracts Section normally invites six to ten companies to submit competitive technical cost proposals. However, if the services required are of a particular nature or the funds available appear to be insufficient, up to 15 companies can be included in the relevant list of invitees. In most cases, the Contracts Section receives no fewer than three or four comparable technical cost proposals, which is considered sufficient for a proper technical and cost evaluation leading to the identification and selection of the successful contractor. Increasing the number of companies included in the list of invitees would not guarantee better results. In keeping with UNIDO practice, all lists of invitees for technical co-operation projects are submitted to recipient Governments for approval. At that juncture, Governments can delete from or add to UNIDO's proposed list any company of their choice without providing explanations or justifications.

28. Paragraph 128 - The Contracts Section fully agrees with and supports the recommendations made by the Committee on Contracts, i.e. all companies visited by study tour participants should be included in the relevant lists of invitees which should be prepared by the Contracts Section in close co-operation with the substantive officers concerned.

29. Paragraphs 131 and 132 - All United Nations agencies participating in the IAPWG meetings have agreed upon the adoption of a common computer coding system for their rosters, called United Nations Computer Coding System (UNCCS). UNIDO was the first Organization in the United Nations system to instal the relevant software, which the Inter-agency Procurement Services Office (IAPSO) provided free of charge along with the services of one of its computer experts. Whereas the system is still in its infancy after the completion of the first stage in December 1990, efforts are being made to expand it substantially in the shortest period of time.

30. Paragraph 133 - A new mainframe application for the Contracts Section's roster of consulting firms and organizations was prepared and installed in May 1990. Pursuant to that, all staff members in the Contracts Section can access the roster through their own personal computers. To date, the Section has updated information on some 1,220 companies and this exercise is continuing. The first draft of the UNCCS for consulting organizations was issued by IAPSO in January 1991, and all information included in IAPSO's data bank will be available to the Contracts Section in due course.

F. Follow-up on issues raised in the report of the External Auditor on the accounts of UNIDO and of the Industrial Development Fund for the financial period 1986-1987 ended 31 December 1987 (IDB.4/3-PBC4/12)

31. Paragraph 134 - The Contracts Section agrees with the statement made by the External Auditor. In general, all services expected of a contractor should be included in the original terms of reference and request for proposals.

32. Paragraph 135 - Regarding the periodic cleaning of stairs, staircases and windows of the VIC building, possible extensions of headquarters contracts are now specifically mentioned in the original requests for proposals. The contract with ISS Marischka GmbH was awarded for seven years in conformity with the recommendations made by the External Auditor. Such a contract contains, inter alia, an appropriate termination clause. It should be noted that the Contracts Section, in conformity with current financial rules and regulations, does not engage in formal competitive bidding exercises but calls for competitive technical and cost proposals. Such a practice makes it possible for UNIDO to negotiate with companies concerning the technical and commercial aspects of their proposals as and when required and in the best interests of the Organization.

II. FINANCE MANUAL

33. Following up on the observations in paragraphs 31 to 34 of the report of the External Auditor, the Industrial Development Board in decision IDB.7/Dec.5, paragraph (c), requested the Director-General to submit to the Programme and Budget Committee at its seventh session a definite planning and time schedule for the preparation of comprehensive manuals containing the formal documentation of administrative and financial policies and procedures of the Organization.

34. As announced by the Director-General in document IDB.7/11/Add.2, work on the subject started in 1991. To date, the preparatory phase of such an

exercise has been completed, i.e: the drawing up of an outline for a single comprehensive manual which will compile all the documentation of financial and accounting policies and procedures, and the holding of in-depth discussions between relevant UNIDO staff and the consultant assigned to co-ordinate the inputs. It is expected that a detailed draft, which is currently under preparation, will be available in August 1991 and finalized in November 1991. Barring any unforeseen delays, it is anticipated that printed copies of the manual will be available in the first quarter of 1992.

III. ACTION REQUIRED OF THE COMMITTEE

35. The Committee may wish to take note of the action taken by the Secretariat to meet the concerns expressed by the External Auditor, as described in the present report.